

# Risk Management Strategy and Policy

(including procedures)

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## 1 Introduction

West Yorkshire Fire and Rescue Service (WYFRS) like other organisations of all types and sizes face internal and external factors and influences that cause a level of uncertainty whether and when their objectives will be achieved. The effect this uncertainty has on WYFRS objectives is 'risk'.

The aim of this policy is to provide a clear and defined strategy, framework and risk processes, which will enable WYFRS to identify, assess and manage risk in an effective, systematic and consistent manner. It will also assist in embedding a risk management culture.

The Authority accepts that an element of risk is inherent in everything that an organisation does and that it has both a moral and legal obligation to safeguard employees, assets and the community from such risk. This policy therefore aims to ensure that risk management forms an integral part of WYFRS corporate governance and provides clear guidance in regard to the Authority's objectives and who/what is involved in the overall strategy.

Risk management is a systematic process used to effectively manage potential opportunities and threats. The risk management process is the identification, analysis and economic control of those risks that can threaten the assets of the organisation or the ability of the organisation to provide a service. Risk management should not be seen as a 'bolt on'; it should be integral to policy planning and operational management within the Authority. Applying the risk management cycle methodology will help Fire Authority elected members and WYFRS managers to make informed decisions in regard to the viability of adopting policy or service delivery options.

The risk management cycle will generate information that will facilitate avoidance or the minimisation of risk. It will also enlighten judgements on the type and degree of insurance cover and the balance to be reached between self-insurance and external protection.

Although it is not possible to eliminate all organisational risks, the overall objective is to instigate cost effective processes within a framework, which will reduce risk levels to an acceptable level, eliminate unacceptable risk and facilitate risk transfer via insurance or similar means. There is a direct relationship between risk management and business continuity management, as business continuity management activities and plans may reduce the impact of certain risks if they were to occur.

The cost of risk is made up of two components, the evident cost of risk and the hidden cost of risk. Evident costs associated with risk include increased/decreased insurance premiums, uninsured losses met from the insurance fund, the cost of risk control measures and direct administration costs. Examples of hidden costs are harder to identify or evaluate and may include reduction in staff morale, loss of staff availability to dealing with risks, damage to reputation, indirect administration costs and time lost to sickness, following accidents. It is a common conception that hidden costs of risk have the potential to be many times that of the respective evident costs.

Risk management is an integral part of good organisational management, which protects and strengthens organisational assets (people, property and finances) and contributes to sustainability. Good risk management will help to ensure the quality of services provided by WYFRS and maintain the Authority's good reputation. Risk management also assists in the prevention of breaches of law and regulations, which could expose the Authority to unnecessary accusations and legal action.

A summary of additional benefits are listed below (this list is not exhaustive):

- Increase the likelihood of achieving objectives.
- Reduced risk of interruptions to service delivery.
- Improve the identification of opportunities and threats.
- Reduction in accidents, injuries and other safety events.
- A reduction in managerial time devoted to managing risk event consequences.
- Facilitation of a systematic methodology for addressing legislative and regulatory requirements.
- Reduction in the financial costs linked with losses due to service interruption, litigation, bad investment decisions, etc.
- Improved financial control as a result of risk identification, analysis, control and monitoring.
- Reduced insurance premiums.
- Improve stakeholder confidence and trust.
- Increase organisational resilience.

## 1.1 Legislation and Acts

WYFRS must manage risks to ensure adherence and compliance with relevant legislation and acts.

A number of legal requirements are placed upon fire and rescue services in relation to the generic provision of services. These requirements are complemented by additional Governmental and departmental expectations. The following sections summarise the existing legislative requirements and expectations placed upon fire and rescue services. The core functions for fire and rescue services are set out in Sections 6 to 8 of the Fire and Rescue Services Act 2004. These functions specify clear requirements upon fire and rescue services in regard to:

- Promotion of fire safety.
- Extinguishment of fires.
- Protecting life and property in the event of fires.
- Rescuing persons in the event of road traffic collisions.

Section 9 enables the Secretary of State to specify by order other core functions relating to emergencies for which fire and rescue services must make provision. An order, under this section, became effective on 6 April 2007 - The Fire and Rescue Services (Emergencies)(England) Order 2007.

The Civil Contingencies Act 2004 requires 'Category 1 responders' (organisations at the core of the response to most emergencies) to maintain plans to ensure that they can continue to exercise their respective functions in the event of an emergency so far as is reasonably practicable. The Act makes specific requirements upon Category 1 responders, to maintain arrangements for continuation of all organisational functions and not just those associated with civil protection. The legislation requires Category 1 responders to maintain plans to deal with emergencies. An effective risk management framework and processes will assist in minimising any disruption to service delivery.

The Fire and Rescue Services (Emergencies)(England) Order 2007 aims to improve national resilience in respect of disruptive incidents such as terrorist attacks and serious accidents by giving fire and rescue services in England mandatory duties in regard to Chemical Biological

Radiological and Nuclear (CBRN) and Urban Search and Rescue (USAR) emergencies. These duties extend to the provision, on request from an affected authority to use specialist CBRN or USAR resources outside their respective areas to an extent reasonable to deal with the emergency. An effective risk management framework and processes will assist in minimising any disruption to providing these services.

The Government sets clear priorities and objectives for fire and rescue services, via The Fire and Rescue National Framework. The Framework clearly identifies the Government's expectations of fire and rescue services and what support mechanisms are available.

## **1.2 Risk and Opportunity**

Risks are often thought of only as hazards and threats to organisations, however, risks can present significant opportunities and possibilities for organisations to develop and innovate in order to achieve their strategic aims and objectives.

Some risks are termed 'unrewarded' in that they have no upside or positive outcome when managed correctly, except for the fact that the risk may not occur. Other risks may be termed 'rewarded' in that they may also present opportunities.

This risk strategy and the risk management process, includes the identification of the positive side of risk and potential benefits of managing each risk effectively. Such benefits are likely to be as a result of implementing effective mitigating actions and control measures.

Opportunities that are identified as a result of the risk management process will be managed using established procedures and systems within the Authority. At a strategic level this will be by members of Management Board supported by the Strategic Development Team and the IRMP process as appropriate, with functions/departments managing tactical and operational level opportunities.

Some opportunities may only be realised through the investment of significant resources and therefore will be managed using the Authority's project framework. Projects of this nature will have their associated risks managed through established procedures and project risk registers.

## 2 Scope

This policy is directly linked to corporate governance (Authority's Code of Corporate Governance, Risk Management and Internal Controls) and the establishment of good managerial practice. The policy applies to all of the functions undertaken by WYFRS with particular focus being placed upon the mitigation and preparation for service interruptions and facilitating the continuance of service delivery.

This policy relates to corporate/strategic risks. Department/function risks are managed within Business Continuity Plans. Risks relating directly to specific projects are managed within the project framework.

## 3 Principles

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

To ensure WYFRS risk management strategy and policy are effective they are based on the following principles of best practice.

- Creates and protects value through achieving objectives.
- Is an integral part of WYFRS processes and activities.
- Is structured and comprehensive to ensure consistent and comparable results.
- The framework and processes are tailored and proportionate to the organisation's external and internal context related to its objectives. This ensures alignment with the risk profile of the Authority.
- Involvement of stakeholders enables knowledge, views and perceptions to be considered, which results in improved awareness and informed risk management and decision making.
- Is dynamic, as risks can emerge, change or disappear as the external and internal context changes. Risk management anticipates, detects, acknowledges and responds in an appropriate and timely manner.
- Risk management is based on historical and current information, which should be timely, clear and available to relevant stakeholders.

- Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
- Risk management is continually improved through learning and experience.

Source: ISO 31000:2018

## **4 Risk Framework**

### **4.1 General**

This policy is aligned to ISO 31000:2018 Risk Management – Guidelines. This standard establishes a number of principles that need to be satisfied to make risk management effective. The standard recommends that organisations develop, implement and continuously improve a framework whose purpose is to integrate the process for managing risk into significant activities and functions, the organisations overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The ISO standard defines risk as “the effect of uncertainty on objectives”.

### **4.2 Mandate and Commitment**

WYFRS will ensure risk management is effective through the commitment of all levels of management. WYFRS will ensure that the risk framework and processes are effective through the implementation and maintenance of all elements of this risk policy, with support from stakeholders.

### **4.3 Framework for Managing Risk**

The risk management framework is the set of components that provide the foundations and organisational arrangements for integrating, designing, implementing, evaluating and continually improving risk management throughout WYFRS. The framework will be developed and tailored to meet the needs of WYFRS.

### 4.3.1 Organisation Context

WYFRS risk management framework has been created based on an understanding of the external and internal context in which the organisation operates. External factors include the social, cultural, political, legal, regulatory, financial, technological, economic and natural environment on a national, regional and local level. Also key drivers and trends, external stakeholders, relationships and commitments and networks and dependencies.

Internal factors include vision, mission, values, governance, organisational structure, roles and accountabilities, priorities, objectives, strategies, policies, capabilities, culture, information systems, data, standards, capabilities and internal stakeholders.

### 4.3.2 Risk Management Strategy and Policy

A corporate approach is crucial if the risks are to be identified and managed in a systematic and consistent way across the Authority. A corporate risk management strategy offers a framework to structure this approach.

The following processes are key elements of this strategy:

- Clear identification of roles and responsibilities associated with the management of risk.
- The establishment of SMART objectives for management of specific risks.
- Effective arrangements for monitoring and reviewing risks and resources.
- Arrangements for establishing and delivering training requirements, associated with risk management.
- The identification of an approach to risk financing.

The key objectives of this strategy are:

- To identify existing and potential risks to the community and the Authority, by use of appropriate analysis techniques.
- Integrate risk management with the purpose, governance, leadership and commitment, strategy, objectives, culture, operations, activities and decision making including conflicting objectives.

- Evaluation of the effectiveness of Prevention, Protection and Response arrangements.
- The protection and promotion of the Authority's reputation.
- To identify opportunities for improvement.
- To assist in determining policies and standards for Prevention, Protection and Response and promote effective resilience in all three areas.
- Assist with determining resource requirements to meet agreed policies and standards.
- To determine arrangements for implementation, monitoring, audit and review, including performance measurement and reporting.
- Enhancement for the co-ordination of risk management action throughout the Authority.
- The promotion of a risk management culture throughout the Authority.
- To identify the financial costs associated with each risk in order to determine the level of the General Fund Reserve and to ascertain what risks are covered by existing insurance provision.

### **4.3.3 Accountability and Roles**

It is the role of management to implement policies on risk and control. In fulfilling their responsibilities management should identify and evaluate the risks faced by the organisation and design, operate and monitor a suitable system of internal control, including implementation of policies. All employees have some responsibility for internal control as part of their accountability for achieving objectives. Employees collectively should have the necessary knowledge, skills, information, and authority to establish, operate and monitor the system of internal control. This will require an understanding of the organisations objectives, the environment in which it operates and the risks it faces.

Responsibility for maintenance, review and coordination of the corporate risk management policy lies with the Director of Corporate Services.

All departments and function groups have a responsibility to identify circumstances which could result in service interruptions and when an actual interruption has taken place (See Business Continuity Strategy/Policy).

The overall responsibility of the Risk Management Strategy Group (RMSG) is to maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks.

Specific objectives for the RMSG include:

- Development of risk management strategies in conjunction with the Director of Corporate Services.
- To ensure full implementation of this strategy and policy.
- Evaluation of the likelihood and severity levels connected with threats to the Authority and associated control measures that currently exist and those which are required.
- The implementation of cross functional risk management initiatives.
- Identification of resource requirements in connection to risk management strategies/plans.
- The communication of risk management issues to all managers/function groups.
- To regularly monitor, review and evaluate the effectiveness of risk management strategies.
- To share and promote examples of best practice in relation to risk management.

The Risk Management Officer has responsibility for the development, administration, review and maintenance of the Authority's planning and risk management systems and the provision of advice on corporate initiatives to ensure that the Authority complies with any legislation now and in the future.

The main duties and responsibilities associated with this role are:

- To develop and implement the Authority's risk based strategic planning process and risk management strategy, by ensuring the development, maintenance and dissemination of a portfolio of resources including policy, standards, performance indicators, strategy and tools.
- To facilitate the implementation and embedding of risk based strategic planning and risk management within departmental policy and decision making.
- Ensure that appropriate training is undertaken with departments to raise awareness of corporate governance, strategic planning and risk management, and facilitate their embedding within department's policy and decision making.

- Monitor and report upon the performance of planning and risk management arrangements.
- Coordinate and facilitate the Risk Management Strategy Group, maintain the Risk Management Matrix and develop strategic risk management arrangements.
- Prepare plans for planning and risk management in conjunction with the Head of Corporate Services and regularly monitoring work programmes to ensure targets are met.
- Provide professional advice and guidance to departments on a range of planning, risk management and business continuity issues on a proactive and reactive basis in order to integrate risk management into daily working practices of all departments.
- To provide technical assistance and identify awareness training to all departments with respect to reducing liability and insurance indemnity provisions.
- To keep informed about current developments and trends in the field of strategic planning, corporate governance and risk management.
- Assess and respond to changes in current and proposed legislation and regulations in conjunction with the Head of Corporate Services.
- In conjunction with the Chief Finance and Procurement Officer, evaluate the financial impact upon the service of various risks which cannot be eliminated, and identify and make recommendations to management on the most efficient method of treating such risks.

The involvement of all function groups and associated staff members within the risk management process is essential and all individuals employed by the Authority have responsibilities in regard to the management of risk.

The respective roles and responsibilities in respect of specific groups and individuals connected with WYFRS are detailed below.

<b>Fire Authority Elected Members</b>	
<b>Role</b>	To ensure that a comprehensive approach to risk management is developed and implemented by management.
<b>Responsibilities</b>	

To attain a knowledge of risk management and its benefits.  
 To oversee the effective management of risk by the senior management of the Authority.

### Management Board

#### Role

To ensure that the Authority continues to manage risk in a systematic and economic manner.

#### Responsibilities

To possess a knowledge of risk management.

Assist in the development of the risk management strategy and communicate it to the elected members.

Promote the strategy across the Authority.

Assist in monitoring and reviewing the risk management strategy.

Assess inputs and resources necessary to support the strategy.

### Risk Management Strategy Group

#### Role

Maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks.

#### Responsibilities

Develop risk management strategies.

To share and promote experience of risk management and strategies across the Authority.

Evaluate the likelihood and severity levels connected with threats to the Authority and associated control measures that currently exist and those which are required.

The implementation of cross functional risk management initiatives.

Identification of resource requirements in connection with risk management strategies.

Communicate risk management issues to all function groups.

To regularly monitor, review and evaluate the effectiveness of risk management strategies.

To share and promote examples of best practice in relation to risk management.

<b>Heads of Functional Groups/ Managers</b>
<p><b>Role</b> To ensure the effective management of risks for the respective functional group.</p>
<p><b>Responsibilities</b> Ensure that the strategy is implemented across the function. Contribute to the development of the risk management strategy. Identify and communicate any relevant specific risk management issues. Negotiate departmental budget requirements for risk control projects. Disseminate strategy contents and allocate responsibilities for its implementation. Establish the training requirements for staff in regard to risk management. Provide feedback to the Risk Management Strategy Group upon their experience of implementing the strategy and their perceptions of the effectiveness of the strategy.</p>

<b>All WYFRS Employees</b>
<p><b>Role</b> To contribute to the management of risk for the department, station or group.</p>
<p><b>Responsibilities</b> To identify potential and actual hazards/risks within the workplace. Assist in the removal and reduction of hazards and risks. Comply with current risk management and health and safety policies. Effectively apply knowledge and skills gained from training and development initiatives.</p>

<b>Internal Audit - Kirklees</b>
<p><b>Role</b> To provide assurance and an independent annual opinion on the Authority's overall control environment and risk management arrangements.</p>
<p><b>Responsibilities</b> To provide the Audit Strategy (approved by Audit Committee). Undertake an agreed programme of audits, which examine and test the adequacy and effectiveness of controls and actions to manage the risks identified. Attend quarterly RMSG meetings.</p>

#### **4.3.4 Integration**

WYFRS will ensure that risk management is embedded into the organisation's standard process, including policy development, strategic and service planning, review and change management process, project management and business continuity.

#### **4.3.5 Resources**

WYFRS will ensure that the appropriate resources are made available and allocated to ensure the risk management framework and processes operate effectively, to produce the desired outcomes. This will include staff training/skills/experience/competency, processes and procedures, systems, tools, information management systems and professional development and training needs.

Periodic risk management training will be given to senior managers of the Authority. This training will be extended to include members of the Authority and will be achieved by the provision of either in-house training or by use of an external provider.

Staff who are assigned specific responsibilities in respect of risk management will receive the necessary training to enable them to competently perform these functions.

The provision of risk management training is an organisational necessity and is a key component of risk management promotion and the development of a risk aware culture. It is essential that all employees understand what risk management is and how they can contribute to the management of risk. All employees will continue to receive training in regard to risk management specific to their particular role within the Authority, as required.

Training input given may be as simplistic as risk assessment methodology, or an overview of procedures. More detailed training will be required for Authority managers, especially those with specific risk management responsibilities.

Training to members of the Authority in respect of risk management will be provided as required. All training will be reflective of the current risks posed to the Authority and will be informed by specific risk analysis, such as that undertaken at the Risk Management Strategy Group meetings.

### 4.3.6 Internal Communication and Reporting

The maintenance and further development of risk management, forms the basis of each Risk Management Strategy Group meeting. These meetings will be attended by senior managers from each function group, representatives from the Authority's auditors and insurers and will be chaired by the Director of Service Delivery. The group will meet at quarterly intervals to ensure that new and existing risks, processes, organisational changes are addressed and that appropriate contingencies are in place (via the Business Continuity Group). The Risk Management Officer is responsible for managing actions arising from these meetings and communicating any relevant points to the appropriate departments, functions and staff.

The promotion of risk management and risk awareness is an integral part of the risk management strategy, as it assists in the development of a risk management culture within the Authority. Despite a number of managers within the Authority possessing specific responsibilities in regard to risk management, it is the responsibility and expectation of all employees to contribute to the reduction of risk. Each function group within WYFRS will actively engage with staff, the local community and other stakeholders to facilitate the promotion of a risk management culture.

Examples of effective communication strategies currently being used by the Authority include:

- Community safety and risk reduction strategies.
- Integrated risk management planning.
- Operational risk management planning.
- Business continuity planning.
- Regular health and safety updates.
- Operational debrief processes, including health and safety performance.
- Detailed human resources policies.

A report on risk management is submitted to the Audit Committee on an annual basis.

### 4.3.7 External Communication and Reporting

The Authority communicates externally through a number of different routes. The Authority's Annual Accounts includes an Annual Governance Statement which states the process used to manage risks by way of the internal control environment. Integrated Risk Management Plans and planning are published externally and consulted upon as and when required.

WYFRS have a number of Business Continuity Plans (BCPs) which relate to specific risk areas. If such risks were to occur, the relevant BCP may be invoked. The contingency arrangements WYFRS have in place to minimise the impact of any risk may be communicated to external stakeholders.

## **4.4 Risk Management Implementation**

### **4.4.1 Framework**

WYFRS have an established risk framework in place which ensures the risk process can operate and is effective. The framework ensures that the risk policy is applied to all relevant areas of the organisation, and that the Authority complies with legal and regulatory requirements. Staff are made aware through the publication and guidance of risk related documents on Firehub. Regular monitoring and reviews of the framework will ensure that it remains appropriate and that implementation has been successful.

### **4.4.2 Process**

WYFRS risk management processes have been established over a number of years and have reached a level of maturity where they provide the expected outcomes. Areas for further development are discussed at the RMSG meetings. Where additional or further action is requirement a risk management plan will be created and progressed.

## **4.5 Framework Monitoring and Review**

WYFRS will periodically evaluate the effectiveness of the risk management framework in terms of performance against its purpose, implementation plans, indicators and expected behaviour to ensure it remains suitable to support achieving WYFRS objectives.

The report on risk management which is submitted to the Audit Committee on an annual basis states actions taken and progress made in the previous twelve months, actions and development areas which WYFRS are currently working on and risk areas/issues which are likely to arise in the next twelve months.

This annual performance report ensures WYFRS risk management strategy, framework, policy, processes and plans are effective in delivering the required outcomes.

The corporate risk matrix is also submitted to Audit Committee for approval, which highlights the number of risks in each risk range.

Each quarterly RMSG meeting provides the opportunity to review and discuss risk management performance and will monitor progress towards the policy objectives including:

- Risk assessments linked to BIA and the Community Risk Register for West Yorkshire.
- Effective risk framework, process with supporting documentation.
- Evaluation of risk related events and business continuity events/near misses.
- Action plans to address any areas identified for improvement by internal/external audits and best practice.
- Monitor the progress of actions agreed at RMSG meetings.

To promote strong corporate governance the risk management framework and processes will be subjected to the following monitoring protocols:

- Progress and update reports will be provided at each RMSG meeting.
- Amendments to existing risk management policies will be submitted to the Authority's Management Team for review and approval, prior to being signed off.
- The Director of Corporate Services will sign off the Authority's strategy document after consulting with Executive Officers.
- Peer reviews may take place between other regional fire and rescue services.
- Audit may be conducted by external organisations and suitably qualified professionals.

A structured review of the Authority's risk arrangements will be conducted on an annual basis by the Risk Management Officer. The review process will consider all elements of the risk strategy, policy, framework, processes, documents, systems, organisational structure and will include the development of planning arrangements.

Periodic audit of risk management arrangements will be carried out against compliance with this strategy/policy document, legislative requirements and expectations of stakeholders. Regular updates and reports will be provided to the RMSG, Management Board and Team and Audit Committee, as required.

## **4.6 Continuous Improvement**

WYFRS will aim to continually improve the suitability, adequacy and effectiveness of the risk management framework and the way the risk management processes are integrated.

The frequent monitoring and review of risk arrangements may identify areas which can be developed and improved. Any such improvement areas will be submitted to RMSG where they will be discussed prior to being actioned and implemented, if it is believed that they will improve the organisations management of risk and risk management culture.

WYFRS will also adapt the risk management framework to address external and internal changes.

## **5 Risk Management Process**

### **5.1 General**

The risk management process is the systematic application of policy, procedures and processes to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, reviewing, recording and reporting risk.

The risk process is an integral part of management, embedded in the organisation's culture and activities, and is relevant to the organisations operating processes.

### **5.2 Communication and Consultation**

WYFRS have established processes to communicate and consult with stakeholders on risk and the management of risk. WYFRS will provide, share and obtain risk related information to ensure the risk management process is effective.

This is achieved when risks are reviewed at RMSG meetings and when risks are reviewed by the identified risk owner with the relevant teams/ groups. Each risk has an associated Risk Review Record, which identifies which teams/groups should be communicated with and consulted. Decisions can be made based on factual, timely, relevant, accurate and understandable exchange of information.

## **5.3 Scope, Context and Criteria**

### **5.3.1 Scope**

The purpose of establishing the scope, and the context and criteria is to ensure the risk management process is tailored to WYFRS to achieve effective risk assessment/risk treatment.

The scope of the risk management process applies to strategic/corporate risk related areas/objectives/priorities. However, there may be operational, programme, project, and other activities that have significant related risks attached, and therefore may be managed under this process.

There is also a number of other risk management systems/processes for managing other risk related areas e.g. Health and Safety.

### **5.3.2 Internal and External Context**

The internal and external context for the risk management process is the environment in which WYFRS operates and understands in order to achieve its objectives. It will reflect the specific environment of the activity to which the risk management process is to be applied.

WYFRS currently utilises a number of different tools and methodologies to inform the risk management strategy and risk profile for the organisation.

Examples of these include:

- National Risk Register.
- Community Risk Register.
- National Fire Service Emergency Cover Toolkit.
- Active database.
- Community Risk Management Plan (CRMP).
- Risk Management Matrix.

Understanding the external context will enable WYFRS to understand the concerns of external stakeholders, which will assist in creating an effective risk process.

The internal context is anything within WYFRS which could influence the way in which risks are managed and will take into consideration the organisations structure, roles, objectives, priorities, capabilities, culture, projects, initiatives, activities and processes.

### **5.3.3 Criteria**

WYFRS through the risk management process will determine the amount and type of risk that it may or may not take in relation to its objectives and priorities. The criteria upon which risks will be evaluated will include the significance of the risk, the purpose and scope of related activities, reflect available resources and be consistent with policies and statements.

The criteria will also consider the Authorities obligations, the views of stakeholders and be dynamic in nature.

The significance of each risk is initially evaluated during the risk assessment/scoring process. The scoring scales include “descriptors” for likelihood and severity. The likelihood is based on probability over a three year period and severity can be based on either service delivery, financial, reputational or a combination of all three.

The risk matrix highlights the risk profile of the Authority and identifies which corporate objectives may be affected. Each risk has a final target risk factor score, which is the level at which the Authority considers the risk to be acceptable or tolerable.

The Authority must also consider the combination of multiple risks, as some internal/external factors may cause multiple risks to occur at the same time or cause a “domino effect”.

### **5.3.4 The Risk Management Process**

This risk management strategy, policy and processes apply to the Authority’s corporate and strategic risks, which may impact on the ability of the organisation to achieve its short, medium and long term objectives.

There are a number of other risk areas and processes which fall outside the scope of this policy, as they are managed by other functions. However, risk areas managed by these other functions may be included within the corporate risk process/matrix if they ultimately would have an impact on the organisation achieving its objectives. Risks that relate to department critical functions are

managed within the business continuity process, however, if such risks are of a generic nature and could impact on numerous departments/functions and the achievement of the organisations objectives, then they may be included on the risk matrix.

Risk areas not directly covered by this strategy and policy include:

- Integrated Risk Management Planning.
- Health and Safety Risk Assessments.
- Project Risks.
- Critical Function Risks.
- Operational and Premises Risks.
- Partnership Risks.
- Road Risks.
- Physical Security Risk Assessments/Authority premises.
- Information Assurance Risk/Information Assets.
- Health specific risk assessments.
- Foreseeable Risk Register
- National Operational Guidance (NOG) Strategic Gap Analysis

Corporate and strategic risks can be identified by any member of staff, department, function, team, group or committee. Any identified risks will be discussed at the RMSG meetings prior to establishing a risk owner and inclusion on the risk matrix. Each risk is then reviewed on a periodic basis using the Risk Review Record document. The relevant directorate and function group will assume ownership of risks which fall within their respective departmental responsibilities and where appropriate, initiate the necessary control measures to address the risk.

The risk management matrix will reflect risks which pose a significant threat to the Authority and list them in order of an overall risk factor. Risk factors are determined by using a standard risk assessment likelihood and severity calculation, using a 5 x 5 matrix and a risk factor score ranging from 1 (low) to 25 (very high).

Risk scores may increase or decrease based on external and internal factors and the control measures and mitigating actions WYFRS implement. Any changes in risk scores will be

highlighted at RMSG meetings and will reflect the performance and effectiveness of risk management

## **5.4 Risk Assessment**

### **5.4.1 General**

WYFRS risk assessment process is based upon risk identification, analysis and evaluation. It will be structured, use the knowledge and views of stakeholders, use the best available information and seek additional information if required.

### **5.4.2 Risk Identification**

Finding, recognising, describing and understanding the risks that the Authority faces is essential for informed decisions to be made about strategy, objectives, policies and service delivery methods. The risk associated with these decisions can then be effectively managed. This will assist WYFRS to achieve its objectives.

Organisational risks can be identified by all employees within the Authority during their day to day work. Risks need to be analysed and incorporated into the corporate planning process in order to ensure a coordinated, joined up approach is achieved by all sections of the Authority.

There are a number of risk identification tools and techniques that can be used, along with relevant and up to date information which is important in identifying risks. Staff with appropriate knowledge should also be continually “horizon scanning” for possible risks which may affect the Authority in the future.

WYFRS will use a range of techniques for identifying risks and uncertainties that may affect one or more objectives. These include tangible/intangible sources of risk, causes/events, threats/opportunities, vulnerabilities/capabilities, changes in the external and internal context, indicators of emerging risks, assets/resources, consequences, knowledge gaps, information issues, time-related factors and assumptions/beliefs. The relationship between these factors also needs to be considered and not all risks that WYFRS identify will have sources that it can control.

Physical site and process audits/inspections can identify risks using checklists and self-assessment. Organisational charts are useful in illustrating different aspects of the Authority's activities and structure. They may identify areas of risk, usually areas of duplications, dependencies and concentrations. Performance targets and figures can be used to identify risks and risk areas. Periodic performance reviews will prove useful when attempting to determine risks and may highlight trends/patterns. Flow charts allow a whole process to be illustrated and allow problems and possible risk areas to be broken down into manageable pieces. Fault tree analysis breaks down a hazard into its contributing factors and investigates combinations of events and conditions that lead to the hazard. A HAZOP (hazard and operability study) is a qualitative approach to risk identification that can be applied at the planning stage of a project or process.

Risk categorisation assists with the identification of risks within each of the Authority's respective directorates and function groups and provides managers with a useful checklist. Examples of strategic risk categories include:

<b>Strategic Risk Categories</b>
<b>Political</b> Those connected with the failure to deliver either local or central government policy, or meet the local administration's manifesto commitments.
<b>Economic</b> Those affecting the Authority's ability to meet its financial commitments. These include internal budgetary pressures, the failure to purchase sufficient insurance cover or the effects of proposed investment decisions.
<b>Social</b> Those relating to the consequences of changes in demographic, residential or socio-economic trends on the Authority's ability to meet its objectives.
<b>Technological</b> Those associated with the Authority's ability to cope with the scale and pace of technological change, and its ability to use technology to meet changing demands.
<b>Legislative</b> Those associated with present or future law.
<b>Environmental</b> Those relating to the environmental consequences of progressing the Authority's strategic

objectives. (e.g. in terms of pollution and energy efficiency).
<b>Competitive</b>
Those concerning the competitiveness of the service in terms of cost or quality and/or its ability to deliver “best value”.
<b>Customer/Citizen</b>
Those connected with the failure to meet the present and shifting needs and expectations of customers and citizens.
<b>Organisational Capacity &amp; Resources</b>
Those relating to the identification and management of the Authority’s organisational capacity and the resources required to deliver its objectives.

### 5.4.3 Risk Analysis

Once risks have been identified they require systematic analysis to comprehend the nature of the risk and determine the level of risk, using proven techniques and all available data on the potential frequency and consequences of events. If a risk is seen to be unacceptable, steps need to be taken to control or respond to it (risk treatment).

Risk analysis may be influenced by difference of opinions, perceptions, quality of information, assumptions, exclusions and the techniques used, and therefore should be considered by risk owners/decision makers. The analysis provides an input to risk evaluation in terms of treatment strategy and methods.

Risks need to be categorised by their respective potential for occurrence (likelihood) and impact upon the organisation (severity). Likelihood and severity is represented by a rating, or score, which is reflective of a number of pre-defined factors. In turn, the likelihood and severity scores are multiplied together to provide an overall risk factor score which enables risks to be arranged in order.

Likelihood is based on the probability of the risk occurring over a three year period, as this relates to strategic and corporate risks. Quantitative, qualitative, historical management information, previous events and near misses, other organisations facing similar risks and commercial insurance premiums can provide a useful guide as to the likelihood of an event. Professional judgement and opinion will also form the basis of judging the likelihood of an

occurrence, which may include group assessments to ensure that a broadly informed perspective can be achieved.

Once the likelihood level has been established, the potential severity of the consequences of a risk must be assessed. This is a subjective process which involves group assessment by managers, utilising historical risk information, experience, professional judgement and similar events in other organisations to determine the potential impact.

<b>Likelihood Rating</b>			
<b>Level</b>	<b>Descriptor</b>	<b>Description</b>	<b>Probability (over 3 years)</b>
1	Rare	May occur in exceptional circumstances	< 1%
2	Unlikely	Will seldom occur	1 – 5 %
3	Possible	May occur	6 – 20 %
4	Probable	Will often occur	21 – 75 %
5	Highly Probable	Near certain to occur	> 75%

Severity Rating				
Level	Descriptor	Service Delivery	Financial	Reputational
1	Insignificant	Unnoticeable internal interruption only	Less than £0.5m	Rumours-potential requirement for clarification of facts.
2	Minor	Internal interruption only	£0.5 to £1m	Minimal interest by local/regional media that may require informal or formal response.
3	Moderate	Significant internal interruption or loss	£1m to £2.5m	Significant interest by local/regional media with formal response required.
4	Significant	Noticeable external interruption or loss	£2.5 to £5m	Interest by national media requiring strategic response.
5	Major	Major external interruption or loss	Greater than £5m	Extensive interest by national/international media requiring continued strategic response, press office management, resulting in sustained media exposure.

The table below highlights the overall risk factor score.

		Severity				
		1	2	3	4	5
Likelihood	1	1	2	3	4	5
	2	2	4	6	8	10
	3	3	6	9	12	15
	4	4	8	12	16	20
	5	5	10	15	20	25

Use of a matrix allows risks to be placed in order of significance, or priority and for subsequent control measures to be applied by the Authority. The definitions of risk values/ratings are identified below, with the corresponding course of action:

Risk Factor Score	Description/Action Required
<b>Very High (15-25)</b>	Primary or critical risks, requiring immediate attention. They may have high or low likelihood of occurrence, but their consequences must be treated as high priority. Strategies should be developed to reduce or eliminate the risks but also mitigation by multi-agency, general planning, exercising & training. Frequently monitor risk & consider specific planning, rather than generic.
<b>High (9-14)</b>	These risks are classed as significant irrespective of the likelihood of occurrence. Consider development of strategies to eliminate the risks, but also mitigation by multi-agency, general planning, exercising & training. Frequently monitor risk.
<b>Medium (4-8)</b>	These risks are less significant, but may cause upset and inconvenience in the short term. These risks should be monitored to ensure that they are being appropriately managed, including generic emergency planning arrangements.
<b>Low (1-3)</b>	These risks are both unlikely to occur and not significant in their impact. They should be managed using normal or generic planning arrangements and require minimal monitoring and control.

#### 5.4.4 Risk Evaluation

Once risks have been analysed they can then be evaluated, and decisions made on which risks require treatment and the priority for treatment implementation. The outcome of risk evaluation will be recorded on Risk Review Records along with any action taken or not taken.

The level of risk determined during the analysis process should be compared with the established risk criteria, the risk appetite/attitude, the risk profile and the strategy of the organisation. This will highlight and determine the treatment required.

The risk capacity of the organisation also needs to be taken into account at this stage, to determine if the actual risk profile of the Authority is within or outside actual risk capacity. Is the

Authority being 'risk aggressive' and operating with too much risk, or is the Authority being 'risk averse' and operating with very little risk?

It is also useful at this stage to establish a 'tolerance line' to determine the Authority's appetite for risk. If a risk is seen to be intolerable, steps need to be taken to control or respond to it. The Authority will not use any single methodology or tool in isolation, in the determination of risk and will utilise a combination of techniques for analysis and evaluation purposes.

## **5.5 Risk Treatment**

### **5.5.1 General**

The purpose of risk treatment is to select and implement options for addressing risk. The process is used to modify the risk and involves an iterative process of formulating and selecting risk treatment options, planning and implementing risk treatment, assessing the effectiveness of that treatment, deciding whether the remaining risk is acceptable, and if not acceptable taking further treatment.

### **5.5.2 Risk Treatment Options**

Risk treatment can include ceasing or avoiding the activity that creates the risk, removing the risk source, changing the likelihood or severity through the use of control measures and mitigating actions, transferring the risk (insurance) or retaining the risk by informed decision at the required management level. Different risk treatment options may also be applied in combination.

The selection of risk treatment options will consider the risk criteria, resources, the values, perceptions and stakeholders. Monitoring and review of risk treatment options needs to be conducted to provide assurance that implementation has been effective. Some risks may not have suitable treatment options available, however, such risks will still be reviewed on a periodic basis by the risk owner.

Risk control is the process of taking action to reduce the likelihood of a risk occurring and/or the impact of the risk should it occur (modify the risk). These factors should be reduced to the lowest point where the action taken is still economical. Risk control often requires projects to be implemented or operating procedures to be revised.

Failure to pay appropriate attention to the likelihood, severity and consequence of risks could cause significant damage to WYFRS.

Examples of such damage include:

- Disruptions to service delivery.
- Public safety being jeopardised.
- Financial loss.
- Litigation.
- Damage to reputation.

A common misconception is that insurance transference is the best way to manage risk, however, a wider view must be taken to manage risk effectively as insurable risk is only a small part of the risks that an organisation faces. Transference of risk to insurance is a necessity for certain risks, but in general it should only be utilised after other mitigating strategies have been explored and do not offer a suitable solution.

Risk treatments must be monitored to ensure that they are, and remain effective and do not introduce additional risks.

### **5.5.3 Risk Treatment Plans**

Risk treatment plans will document how the chosen treatment options will be implemented within WYFRS. Treatment plans will typically fall within proposed additional control measures and mitigating actions, which will be implemented by the relevant department/functions within WYFRS. The plan will identify the priority for implementation.

Treatment plans are integrated with the risk management process and standard management processes, in consultation with appropriate stakeholders. The nature and extent of residual risk will be identified on the Risk Review Record, and reviewed/monitored at subsequent risk reviews and RMSG meetings.

## **5.6 Monitoring and Review**

To complete the risk management process, all risk management arrangements need to be monitored and reviewed in order to identify change from the required or expected performance

levels. It is also important to assess whether the nature of respective risks has changed with time. Monitoring and reviewing of risk control actions is essential to ensure that the actions implemented are both economic and efficient.

The purpose of monitoring and review is to improve the quality and effectiveness of process design, implementation and outcomes, which is achieved through an assurance process.

For the risk management strategy to be complete there must be monitoring and review of:

- The implementation of the risk control actions (including revisions to operating procedures) that have been agreed.
- How effectively actions are controlling the risk.
- How the risk has changed with time.
- The effectiveness of the risk management strategy.

Financial Reporting Council (FRC) – The FRC published the revised Guidance for board effectiveness in July 2018. Section 4 Audit, risk and internal control looks at the audit committee's (or risk committee's if separate) responsibility in this area.

Risk control actions should always be SMART so that management can monitor performance and it should be clear who has responsibility for completing/implementing control measures, at what cost and against agreed timeframes.

The effectiveness of the control action is assessed on the basis of its success in reducing the likelihood of an event and/or minimising the severity of the consequences should an event occur. Judgements will be made by comparing the likelihood and severity of future risk events with;

- Past events prior to the control being put in place.
- The likelihood and severity of similar risk events in other services, councils or organisations.
- Any targets set by managers relating to expected likelihood or predicted severity.

The formal identification of new risks and the review of existing risks will take place at quarterly RMSG meetings.

Representatives from Internal Audit and Insurance (Kirklees MC) attend the RMSG meetings and oversee the monitoring process. A review of the Authority's risk arrangements is reported to the Audit Committee on an annual basis.

The Risk Management Officer will continually monitor and review the risk framework, risk process, risk reviews, identified new risks, the effectiveness of controls/mitigating actions, risk assessments, events and near misses and future risks (horizon scanning). Any significant issues that are identified will be reported to the DCFO/RMSG.

## **5.7 Records and Reporting**

All risk arrangements within the Authority are documented and records are kept to maintain traceability. There are legal, regulatory and operational requirements for record keeping. Consideration will be given to the method of access, ease of retrieval and storage media. The retention period of risk records/documents will meet the requirements of the Authority's retention schedule. Records and documents may be of a sensitive or confidential nature and will therefore adhere to the Authority's classification process.

Recording and reporting through the RMSG and Audit Committee will ensure risk management activities and outcomes are known, provide information for decision-making, improve the risk management system and assist interaction with stakeholders including those with responsibility and accountability for risk management activities. Reporting is an integral part of the Authority's governance arrangements and will support senior management and oversight bodies in meeting their responsibilities.